

PUTNAM TOWNSHIP

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

PUTNAM TOWNSHIP

TOWNSHIP OFFICIALS

Supervisor - Ronald F. Rau
Treasurer - G. Richard McCloskey
Clerk - Sally Guyon

TOWNSHIP BOARD OF TRUSTEES

Ronald F. Rau
G. Richard McCloskey
Sally Guyon
Kevin Dobis
Norman Klein
Jeffrey Buerman
Thomas Benedetti

TOWNSHIP ATTORNEY

Foster, Swift, Collins & Smith, P.C.

TOWNSHIP AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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October 20, 2008

Board of Trustees
Putnam Township
3280 West M-36
Pinckney, Michigan 48169

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Putnam Township as of and for the year ended June 30, 2008, which collectively comprise Putnam Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Putnam Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Putnam Township as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other Required Supplementary Information on pages 7 through 11 and 33 through 35 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Putnam Township's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining statements and individual fund statements, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis June 30, 2008

Within this section of Putnam Township's annual financial report, the Township's management is providing a narrative discussion and analysis of the financial activities of the Township for the fiscal year ended June 30, 2008. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Township's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Township's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Township-wide statement of position presenting information that includes all the Township's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall health of the Township may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Township's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues generated by the Township.

Governmental activities include such activities as general government, public safety, and planning and zoning departments. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund Township programs.

The Township's financial reporting includes all the funds of the Township (primary government) and, additionally, organizations for which the Township is accountable (component units).

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Township's most significant funds rather than the Township as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report.

The Township has two kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of available resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Township activities.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Financial Analysis of the Township as a Whole Under GASB 34 Accounting Principles

The Township's net assets at the end of the fiscal year were \$2,731,484. This is a \$513,352 increase over last year's net assets of \$2,218,132.

The following tables provide a summary of the Township's financial activities and changes in net assets:

Summary of Net Assets

	Governmental Activities		Increase (Decrease)
	6/30/2007	6/30/2008	
Current and other assets	\$ 3,020,720	\$ 3,433,991	\$ 413,271
Capital assets	882,146	1,500,647	618,501
Total assets	3,902,866	4,934,638	1,031,772
Other liabilities	41,098	198,626	157,528
Long-term liabilities	1,643,636	2,004,528	360,892
Total liabilities	1,684,734	2,203,154	518,420
Net assets:			
Invested in capital assets, net of related debt	882,146	825,647	(56,499)
Restricted for debt service	448,547	484,985	36,438
Unrestricted	887,439	1,420,852	533,413
Total net assets	\$ 2,218,132	\$ 2,731,484	\$ 513,352

Summary of Changes in Net Assets

	Governmental Activities		Increase (Decrease)
	6/30/2007	6/30/2008	
REVENUES			
Program revenues			
Charges for services	\$ 137,863	\$ 138,843	\$ 980
Capital grants and contributions	14,685	30,655	15,970
General revenues			
State shared revenues	360,450	372,343	11,893
Property taxes	829,917	875,254	45,337
Other	246,738	301,803	55,065
Total revenues	<u>1,589,653</u>	<u>1,718,898</u>	<u>129,245</u>
EXPENSES			
General government	536,669	463,450	(73,219)
Fire protection	457,611	486,896	29,285
Police protection	126,494	72,496	(53,998)
Parks and recreation	2,555	2,555	
Roads	93,432	68,311	(25,121)
Interest on long-term debt	81,009	111,838	30,829
Total expenses	<u>1,297,770</u>	<u>1,205,546</u>	<u>(92,224)</u>
CHANGES IN NET ASSETS	291,883	513,352	221,469
BEGINNING NET ASSETS	<u>1,926,249</u>	<u>2,218,132</u>	<u>291,883</u>
ENDING NET ASSETS	<u>\$ 2,218,132</u>	<u>\$ 2,731,484</u>	<u>\$ 513,352</u>

Financial Analysis of the Township's Funds

Putnam Township reported 5 major funds for the year ended June 30, 2008. These funds included:

- General Fund
- Fire Capital Outlay Fund
- Fire Millage Fund
- Patterson Lake Sewer Fund
- Township Hall Construction Fund

The General Fund increased its fund balance \$295,480 during the year primarily due to the decreased expenditures for legal services.

The Fire Capital Outlay Fund, Fire Millage Fund, Township Hall Construction Fund, and Patterson Lake Sewer Fund had little activity except the repayment on debt and construction of the new township hall. The Fire Capital Outlay Fund increased its fund balance by \$174,924 due to minimal purchases this year. The Fire Millage Fund increased its fund balance by \$54,090. The Patterson Lake Sewer Fund decreased its fund balance by \$25,015 to pay down sewer debt. The Township Hall Construction Fund increased its fund balance by \$10,887 the difference in bond proceeds and construction costs for the year.

General Fund Budgetary Highlights

The Township approved a budget prior to the start of the fiscal year, and made an immaterial amendment during the year to bring it closer to economic reality. However, expenditures exceeded appropriations in the election, supervisor, clerk, and board of review activities.

Capital Asset and Debt Administration

The Township paid \$164,554 in principal and \$98,343 in interest to service the long-term debt of the Township. The Township added \$700,000 in debt this year. Total debt service equaled \$2,179,082 at June 30, 2008.

The Township purchased \$30,660 of fire fighting equipment and a \$705,414 for the new Township Hall and improvements. Total depreciation expense for all governmental activities totaled \$117,573 for the year ended June 30, 2008.

Economic Conditions and Future Activities

As in other townships the economy has significantly slowed the building and growth activities in Putnam Township. This will affect the overall Township population growth and therefore, smaller increases in state shared revenues and taxes.

Contacting the Authority's Financial Management

This report is designed to provide a general overview of the Township's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact Putnam Township at 3280 West M-36, Pinckney, MI 48169.

BASIC
FINANCIAL
STATEMENTS

GOVERNMENT - WIDE
FINANCIAL
STATEMENTS

PUTNAM TOWNSHIP
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 2,288,381
Receivables	
Special assessments	1,052,152
State shared revenues	63,877
Accounts - other	29,581
Capital assets, net of depreciation	<u>1,500,647</u>
Total current assets	<u>4,934,638</u>
LIABILITIES	
Accounts payable	24,072
Bonds payable	
Current	174,554
Non-current	<u>2,004,528</u>
Total liabilities	<u>2,203,154</u>
NET ASSETS	
Invested in capital assets, net of related debt	825,647
Restricted for debt service	484,985
Unrestricted	<u>1,420,852</u>
Total net assets	<u><u>\$ 2,731,484</u></u>

The notes of the financial statements are an integral part of this statement.

PUTNAM TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Programs Revenues		Total
		Charges for Service	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
General government	\$ (463,450)	\$ 117,131	\$ 7,000	\$ (339,319)
Fire protection	(486,896)	21,712	23,655	(441,529)
Police protection	(72,496)			(72,496)
Parks and recreation	(2,555)			(2,555)
Public works	(68,311)			(68,311)
Interest on long-term debt	(111,838)			(111,838)
Total governmental activities	<u>\$ (1,205,546)</u>	<u>\$ 138,843</u>	<u>\$ 30,655</u>	<u>(1,036,048)</u>
General revenues				
Property taxes				875,254
State shared revenues				372,343
Gravel/Cable royalties				71,999
Interest income				
Cash and equivalents				111,423
Special assessments				61,041
Other income				<u>57,340</u>
Total general revenues				<u>1,549,400</u>
Changes in net assets				513,352
Net assets, July 1, 2007				<u>2,218,132</u>
Net assets, June 30, 2008				<u>\$ 2,731,484</u>

The notes of the financial statements are an integral part of this statement.

FUND FINANCIAL
STATEMENTS

PUTNAM TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Fire Capital Outlay	Fire Millage	Patterson Lake Sewer	Township Hall Construction	Other Non-major Funds	Total
<u>ASSETS</u>							
ASSETS							
Cash and cash equivalents	\$ 960,565	\$ 362,200	\$ 433,473	\$ 423,532	\$ 10,887	\$ 97,724	\$ 2,288,381
Receivable							
Special assessments							
Current				88,013			88,013
Deferred				964,139			964,139
State shared revenues	63,877						63,877
Others	5,379						5,379
Due from other funds	93,990	24,269					118,259
	<u>93,990</u>	<u>24,269</u>					<u>118,259</u>
Total assets	<u>\$ 1,123,811</u>	<u>\$ 386,469</u>	<u>\$ 433,473</u>	<u>\$ 1,475,684</u>	<u>\$ 10,887</u>	<u>\$ 97,724</u>	<u>\$ 3,528,048</u>
<u>LIABILITIES AND FUND BALANCE</u>							
LIABILITIES							
Accounts payable	\$ 24,072	\$	\$	\$	\$	\$	\$ 24,072
Due to other funds		622	93,435				94,057
Deferred revenues				1,052,152			1,052,152
	<u>24,072</u>	<u>622</u>	<u>93,435</u>	<u>1,052,152</u>			<u>1,170,281</u>
Total liabilities	<u>24,072</u>	<u>622</u>	<u>93,435</u>	<u>1,052,152</u>			<u>1,170,281</u>
FUND BALANCES							
Unreserved	1,099,739				10,887	36,271	1,146,897
Designated		385,847	340,038				725,885
Reserved for debt service				423,532		61,453	484,985
	<u>1,099,739</u>	<u>385,847</u>	<u>340,038</u>	<u>423,532</u>	<u>10,887</u>	<u>97,724</u>	<u>2,357,767</u>
Total fund balances	<u>1,099,739</u>	<u>385,847</u>	<u>340,038</u>	<u>423,532</u>	<u>10,887</u>	<u>97,724</u>	<u>2,357,767</u>
Total liabilities and fund balances	<u>\$ 1,123,811</u>	<u>\$ 386,469</u>	<u>\$ 433,473</u>	<u>\$ 1,475,684</u>	<u>\$ 10,887</u>	<u>\$ 97,724</u>	<u>\$ 3,528,048</u>

The notes to the financial statements are an integral part of this statement.

PUTNAM TOWNSHIP
RECONCILIATION OF STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
JUNE 30, 2008

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Total fund balance per balance sheet		\$ 2,357,767
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost of capital assets	\$ 2,525,081	
Depreciation	<u>(1,024,434)</u>	
Capital assets net of depreciation		1,500,647
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Bonds payable		(2,179,082)
Deferred revenues on special assessments was recognized as revenue in the government-wide statements. Assessments are income as they are assessed.		
Deferred income for Patterson Lake Sewer Fund		<u>1,052,152</u>
Net assets of governmental activities		<u><u>\$ 2,731,484</u></u>

The notes of the financial statements are an integral part of this statement.

PUTNAM TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General	Fire Capital Outlay	Fire Millage	Patterson Lake Sewer	Township Hall Construction	Other Non-major Funds	Total
REVENUES							
Taxes	\$ 304,850	\$ 161,629	\$ 408,775	\$	\$	\$	\$ 875,254
Licenses and permits	5,131						5,131
Special assessments - principal				102,997			102,997
Special assessments - interest				61,041			61,041
State shared revenues	372,343						372,343
Donations						7,000	7,000
Cablevision fees	51,194						51,194
Gravel pit royalties	20,805						20,805
Grant proceeds		23,655					23,655
Charges for services	117,131	21,712					138,843
Interest	47,254	8,848	14,532	25,927	11,479	3,383	111,423
Miscellaneous	52,209						52,209
Total revenues	<u>970,917</u>	<u>215,844</u>	<u>423,307</u>	<u>189,965</u>	<u>11,479</u>	<u>10,383</u>	<u>1,821,895</u>
EXPENDITURES							
Current:							
General government	455,803				56		455,859
Fire protection	367,603	10,260	1,606				379,469
Police protection	72,496						72,496
Public works	68,311						68,311
Capital outlay:							
General government	18,878				686,536		705,414
Fire protection		30,660					30,660
Debt service:							
Principal				139,554		25,000	164,554
Interest and fiscal charges				75,426		22,917	98,343
Total expenditures	<u>983,091</u>	<u>40,920</u>	<u>1,606</u>	<u>214,980</u>	<u>686,592</u>	<u>47,917</u>	<u>1,975,106</u>
Excess of revenues over (under) expenditures	<u>(12,174)</u>	<u>174,924</u>	<u>421,701</u>	<u>(25,015)</u>	<u>(675,113)</u>	<u>(37,534)</u>	<u>(153,211)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	392,611					115,462	508,073
Transfers (out)	(84,957)		(367,611)		(505)	(55,000)	(508,073)
Bond proceeds					700,000		700,000
Bond issuance costs					(13,495)		(13,495)
Total other financing sources (uses)	<u>307,654</u>		<u>(367,611)</u>		<u>686,000</u>	<u>60,462</u>	<u>686,505</u>
Net changes in fund balances	295,480	174,924	54,090	(25,015)	10,887	22,928	533,294
FUND BALANCE, JULY 1, 2007	<u>804,259</u>	<u>210,923</u>	<u>285,948</u>	<u>448,547</u>		<u>74,796</u>	<u>1,824,473</u>
FUND BALANCE, JUNE 30, 2008	<u>\$ 1,099,739</u>	<u>\$ 385,847</u>	<u>\$ 340,038</u>	<u>\$ 423,532</u>	<u>\$ 10,887</u>	<u>\$ 97,724</u>	<u>\$ 2,357,767</u>

The notes to the financial statements are an integral part of this statement.

PFEFFER, HANNIFORD & PALKA

Certified Public Accountants

PUTNAM TOWNSHIP
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - governmental funds	\$ 533,294
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The amount by which depreciation exceeded capital outlay is as follows:	
Capital outlay	\$ 736,074
Depreciation expense	<u>(117,573)</u>
Total	618,501
Repayment of bonds payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Repayment of bonds payable	164,554
Bond proceeds are other financing sources in the governmental funds, but are considered to be long-term liabilities in the Statement of Net Assets	(700,000)
Principal received on special assessments are income as they are levied annually for governmental funds, but they are income when they are levied for the Statement of Activities.	
Principal collected on assessments	<u>(102,997)</u>
Change in net assets of governmental activities	<u><u>\$ 513,352</u></u>

The notes to the financial statements are an integral part of this statement.

PUTNAM TOWNSHIP
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Trust and Agency</u>	<u>Current Tax</u>	<u>Totals</u>
<u>ASSETS</u>			
ASSETS			
Cash	\$ 12,172	\$ 25,280	\$ 37,452
Due from other funds		2,177	2,177
	<u>12,172</u>	<u>2,177</u>	<u>2,177</u>
Total assets	<u>\$ 12,172</u>	<u>\$ 27,457</u>	<u>\$ 39,629</u>
 <u>LIABILITIES</u>			
LIABILITIES			
Due to others	\$ 11,557	\$ 1,693	\$ 13,250
Due to other funds	615	25,764	26,379
	<u>615</u>	<u>25,764</u>	<u>26,379</u>
Total liabilities	<u>\$ 12,172</u>	<u>\$ 27,457</u>	<u>\$ 39,629</u>

The notes to the financial statements are an integral part of this statement.

NOTES
TO
FINANCIAL
STATEMENTS

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Putnam Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Township as a whole, excluding fiduciary activities. Governmental fund types are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Township (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the Township would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Township are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Capital Outlay Fund accounts for the activity associated with the purchasing of capital assets for the fire department. This fund is supported by property taxes approved from a separately voted millage.

The Fire Millage Fund accounts for the activities related to the transfers made to the General Fund to finance the fire department operations. This fund is supported by property taxes approved by a separately voted millage.

Patterson Lake Sewer Fund accounts for the activities related to the special assessments collected and related debt service of the sewer project at Patterson Lake.

Township Hall Construction Fund accounts for the activity associated with the construction of the new Township Hall.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, licenses, fees and permits, intergovernmental revenues, charges for services and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balances as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Township's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township programs.

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. BUDGETARY DATA

The board of trustees follow the procedures as outlined in the Uniform Budgeting manual for Local Units of Government in Michigan in the establishment of the various annual budgets.

The budget is approved by activity, rather than by line item. If and when it becomes necessary to amend certain amounts in the budget, a proposal outlining the desired changes is made to and approved by the Township Board at any of their regular meetings. Budget appropriations made, but not expended by year end, will lapse with the fiscal year end.

D. PROPERTY TAX REVENUE RECOGNITION

The Township property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Taxable values are established annually by the county and are equalized by the state at an estimated 50 percent of current market value. Real and personal property in the Township for the 2007 levy was assessed at adjusted taxable value of \$338,879,780. The Township's general operating tax rate for the 2007 levy was .8915 mill and special fire millage was 1.6618. Taxes are due and payable by February 28. Delinquent real property taxes are returned to the County Treasurer for collection. In May 2008, the county revolving fund paid the Township for the delinquent real taxes.

E. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Land is considered a capital asset regardless of initial cost. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	10 to 50 years
Machinery and equipment	5 to 40 years

Any capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

F. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

G. OTHER FINANCING SOURCES (USES)

The transfers of cash between the various funds are budgeted but reported separate from revenues and expenditures as transfers in or (out) unless they represent temporary advances that are to be repaid, in which case they are carried as assets or liabilities of the advancing or borrowing fund.

NOTE 2 - FINANCIAL REPORTING ENTITY

The criteria established by GASB Statement No. 39 for various governmental organizations to be included in the reporting entity's financial statements include accountability, control, and significant financial relationships.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 39, certain other governmental organizations are not considered to be part of the reporting entity for financial statement purposes.

The accompanying financial statements of Putnam Township as of June 30, 2008, include any and all boards, agencies, funds and account groups under the jurisdiction of the Putnam Township Board. As further discussed in Note 7, Putnam Township is one of four governmental units that has formed the Portage Base Lakes Area Water & Sewer Authority and has joined Multi-Lakes Sewer and Water Authority. There are separate audits completed for these authorities:

1. The Pinckney Community Library was determined not to be a component unit based on the criteria of GASB 39. A separate audit is conducted for this entity.
2. The Downtown Development Authority is not part of the financial statements, but is a part of the Village of Pinckney.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance 7/1/2007	Additions	Deletions	Balance 6/30/2008
Land	\$ 226,368	\$	\$	\$ 226,368
Buildings and improvements	249,550	686,536		936,086
Machinery and equipment	1,313,089	49,538		1,362,627
 Total capital assets	 1,789,007	 736,074		 2,525,081
 Accumulated depreciation	 (906,861)	 (117,573)		 (1,024,434)
 Governmental activities capital asset, net	 \$ 882,146	 \$ 618,501	 \$	 \$ 1,500,647

The Township incurred debt related to the above assets (new township hall) of \$700,000. The balance outstanding as of June 30, 2008 was \$675,000. The net investment in capital assets was \$825,647 (\$1,500,647 - \$675,000) as of June 30, 2008.

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 3 - CAPITAL ASSETS - continued

Depreciation expense is being recorded in the government-wide Statement of Activities based upon the fund and activity utilizing the assets. The Township utilizes the straight line method to depreciate capital assets over their estimated useful lives. Depreciation expense was allocated to the following activities:

Fire protection	\$ 107,427
General government	7,591
Parks and recreation	<u>2,555</u>
	<u>\$ 117,573</u>

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivables	Fund	Interfund Payables
General Fund	\$ 67,611	Fire Millage Fund	\$ 67,611
General Fund	25,764	Current Tax Fund	25,764
Fire Capital Outlay Fund	23,655	Fire Millage Fund	23,655
Fire Capital Outlay Fund	614	Fire Millage Fund	614
Current Tax	1,555	Fire Millage Fund	1,555
General Fund	615	Trust and Agency Fund	615
Current Tax Fund	<u>622</u>	Fire Capital Outlay Fund	<u>622</u>
	<u>\$ 120,436</u>		<u>\$ 120,436</u>

These are short term in nature.

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2008, were as follows:

Fund Transferred Out	Fund Transferred In	Amount	Explanation
Fire Operating Millage	General Fund	\$ 367,611	Fire expense reimbursement
Township Improvement Fund	General Fund	25,000	Contribution
Township Improvement Fund	Township Hall DSF	30,000	Contribution
General Fund	Township Improvement Fund	6,136	Reimbursement
General Fund	Township Hall DSF	78,821	Contribution
Township Hall Construction Fund	Township Hall DSF	<u>505</u>	Capitalize interest
		<u>\$ 508,073</u>	

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit union, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers; acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township maintains a \$100 imprest petty cash account.

The Township has an investment policy and their deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 40 risk disclosures for the Township's deposits and investments are as follows:

<u>Deposits</u>	<u>Primary Government</u>	<u>Fiduciary Activities</u>	<u>Total</u>	<u>Bank Balance</u>
Insured	\$ 300,000	\$	\$ 300,000	\$ 300,000
Uninsured and uncollateralized	1,988,281	37,452	2,025,733	2,048,964
Total deposits	2,288,281	37,452	2,325,733	<u>\$ 2,348,964</u>
Petty cash	100		100	
Total cash	<u>\$ 2,288,381</u>	<u>\$ 37,452</u>	<u>\$ 2,325,833</u>	

The Township's cash and investments are subject to various types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's money may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$2,048,964 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS - continued

Concentration of Credit Risk

The Township places no limit on the amount the Township may invest in any one issuer.

Credit Risk

State Law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pools	\$ 113,501	AAA-V1	Fitch

NOTE 7 - LONG-TERM OBLIGATIONS

DEBT RELATED TO MULTI-LAKES AREA SEWER AUTHORITY

Putnam Township residents on Patterson Lake connected to the sewer system maintained by the Multi-Lakes Authority. Putnam Township is also a member of the Multi-Lakes Authority.

Putnam Township created a special assessment district for purposes of constructing the sewer collection lines to serve the residents on Patterson Lake. Lyndon and Unadilla Townships also created special assessment districts to construct sewer collection lines to their residents.

Bonds were sold to finance the construction through the Washtenaw County Department of Public Works. The three Townships will repay the bonds (debt) through their special assessment districts. The three Townships share the debt obligation based on the proportion of REU's (residential equivalent units) it serves which are as follows:

Putnam Township	31.012
Lyndon Township	39.601
Unadilla Township	<u>29.387</u>
Total	<u><u>100.000</u></u>

The total bond proceeds were \$7,850,000 of which Putnam Township is responsible for \$2,434,442.

DEBT RELATED TO CONSTRUCTION OF NEW TOWNSHIP HALL

Bonds were sold through The Bank of New York Trust Company to finance the construction of a new Township Hall. Putnam Township is responsible for the bond proceeds of \$700,000. General Fund monies will be used to repay the debt.

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 7 - LONG-TERM OBLIGATIONS - continued

The following is a summary of the Township's long-term debt obligations:

Loan payable to Washtenaw County for the Multi-Lakes Sanitary Sewer System Phase II Bonds, Series 2002; payable in annual principal payments in the range of \$93,036 to \$139,554, plus interest of 3% to 5% paid semi-annually, maturity date is May 1, 2020.

Loan payable to The Bank of New York Trust Company for the 2007 General Obligation Capital Improvement Bonds; payable in annual principal payments in the range of \$25,000 to \$65,000, plus interest of 4.25% to 4.5% paid semi-annually, maturity date is May 1, 2022.

A summary of the Township's long-term obligations as of June 30, 2008, and transactions during the year then ended are as follows:

	Balance at 7/1/2007	Additions	Principal Payments	Balance at 6/30/2008	Current Portion of Long-term Debt
Washtenaw County Sewage - Disposal System Bonds Multi-Lakes Phase II, Series 2002	\$ 1,643,636	\$	\$ 139,554	\$ 1,504,082	\$ 139,554
2007 General Obligation Capital Improvement Bonds		700,000	25,000	675,000	35,000
	<u>\$ 1,643,636</u>	<u>\$ 700,000</u>	<u>\$ 164,554</u>	<u>\$ 2,179,082</u>	<u>\$ 174,554</u>

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 7 - LONG-TERM OBLIGATIONS - continued

The following is a schedule of future principal and interest payments to service the long-term obligations of the Township:

Year Ending June 30	Bonds Payable Multi-Lakes		Bonds Payable Capital Improvement	
	Principal	Interest	Principal	Interest
2008 - 2009	\$ 139,554	\$ 69,599	\$ 35,000	\$ 29,238
2009 - 2010	124,048	63,668	35,000	27,750
2010 - 2011	124,048	58,241	35,000	26,263
2011 - 2012	124,048	52,813	40,000	24,775
2012 - 2013	124,048	47,386	40,000	23,075
2013 - 2018	620,240	151,525	245,000	89,237
2018 - 2022	248,096	18,607	245,000	33,520
	<u>\$ 1,504,082</u>	<u>\$ 461,839</u>	<u>\$ 675,000</u>	<u>\$ 253,858</u>

NOTE 8 - CONTINGENCIES AND COMMITMENTS

The Township is involved in various legal actions arising in the normal course of operations. There is one significant lawsuit, Hendee v. Putnam Township. The trial has been completed with the Court awarding judgment in favor of the plaintiffs. The Township must allow the plaintiffs development of a mobile home park. The Township is appealing to the Michigan Court of Appeals.

NOTE 9 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 10 - GRANT ACTIVITIES

The Township had been a recipient of various federal grant funds. These funds may still be subject to federal grant audit requirements.

REQUIRED
SUPPLEMENTARY
INFORMATION

PUTNAM TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Budgets			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Taxes	\$	\$	\$ 304,850	\$
Licenses and permits			5,131	
State shared revenues			372,343	
Charges for services			117,131	
Miscellaneous			171,462	
Total revenues	894,950	894,950	970,917	75,967
EXPENDITURES				
Township board			69,119	
Supervisor			39,109	
Assessor			49,220	
Election			13,611	
Clerk			42,261	
Board of review			2,250	
Treasurer			60,627	
Cemetery			1,765	
Township hall			86,785	
Public safety-fire department			367,603	
Public safety-police			72,496	
Unallocated			40,483	
Highways, streets and bridges			66,546	
Zoning			22,139	
Planning commission			49,077	
Total expenditures	1,057,510	1,059,510	983,091	76,419
Excess of revenues over (under) expenditures	(162,560)	(164,560)	(12,174)	152,386
OTHER FINANCING SOURCES (USES)				
Transfer in	365,650	365,650	392,611	26,961
Transfer (out)	(60,000)	(60,000)	(84,957)	(24,957)
Total other financing sources (uses)	305,650	305,650	307,654	2,004
Net change in fund balance	143,090	141,090	295,480	154,390
FUND BALANCE, JULY 1, 2007	804,259	804,259	804,259	
FUND BALANCE, JUNE 30, 2008	\$ 947,349	\$ 945,349	\$ 1,099,739	\$ 154,390

PUTNAM TOWNSHIP
FIRE DEPARTMENT CAPITAL OUTLAY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Budgets			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Fire millage	\$	\$	\$ 161,629	\$
Grant proceeds			23,655	
Fire runs			21,712	
Interest			8,848	
Total revenues	183,000	183,000	215,844	32,844
EXPENDITURES				
Fire protection			541	
Capital outlay			35,145	
FEMA Grant refund			1,045	
Building repairs			4,189	
Total expenditures	20,000	20,000	40,920	(20,920)
Net change in fund balance	163,000	163,000	174,924	11,924
FUND BALANCE, JULY 1, 2007	210,923	210,923	210,923	
FUND BALANCE, JUNE 30, 2008	\$ 373,923	\$ 373,923	\$ 385,847	\$ 11,924

PUTNAM TOWNSHIP
FIRE MILLAGE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Budgets			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Fire millage	\$	\$	\$ 408,775	\$
Interest			14,532	
Total revenues	404,000	404,000	423,307	19,307
EXPENDITURES				
Project costs			1,606	(1,606)
Excess of revenues over (under) expenditures	404,000	404,000	421,701	17,701
OTHER FINANCING (USES)				
Transfers (out)	(365,650)	(365,650)	(367,611)	(1,961)
Net change in fund balance	38,350	38,350	54,090	15,740
FUND BALANCE, JULY 1, 2007	285,948	285,948	285,948	
FUND BALANCE, JUNE 30, 2008	<u>\$ 324,298</u>	<u>\$ 324,298</u>	<u>\$ 340,038</u>	<u>\$ 15,740</u>

SUPPLEMENTARY
INFORMATION

COMBINING
STATEMENTS

PUTNAM TOWNSHIP
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
JUNE 30, 2008

	Township Hall Improvement Fund	Fire Capital Outlay Fund	Fire Millage Fund	Senior Citizens Fund	Total
<u>ASSETS</u>					
ASSETS					
Cash	\$ 29,229	\$ 362,200	\$ 433,473	\$ 7,042	\$ 831,944
Due from other funds		24,269			24,269
Total assets	<u>\$ 29,229</u>	<u>\$ 386,469</u>	<u>\$ 433,473</u>	<u>\$ 7,042</u>	<u>\$ 856,213</u>
<u>LIABILITIES AND FUND BALANCE</u>					
LIABILITIES					
Due to other funds	\$	\$ 622	\$ 93,435	\$	\$ 94,057
FUND BALANCE	<u>29,229</u>	<u>385,847</u>	<u>340,038</u>	<u>7,042</u>	<u>762,156</u>
Total liabilities and fund balance	<u>\$ 29,229</u>	<u>\$ 386,469</u>	<u>\$ 433,473</u>	<u>\$ 7,042</u>	<u>\$ 856,213</u>

PUTNAM TOWNSHIP
COMBINING BALANCE SHEET
ALL DEBT SERVICE FUNDS
JUNE 30, 2008

	<u>Patterson Lake Sewer Debt Service Fund</u>	<u>Township Hall Debt Service Fund</u>	<u>Total</u>
<u>ASSETS</u>			
ASSETS			
Cash	\$ 423,532	\$ 61,453	\$ 484,985
Special assessment receivable - current	88,013		88,013
Special assessment receivable - non-current	<u>964,139</u>		<u>964,139</u>
Total assets	<u>\$ 1,475,684</u>	<u>\$ 61,453</u>	<u>\$ 1,537,137</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Deferred revenue	\$ 1,052,152	\$	\$ 1,052,152
FUND BALANCE	<u>423,532</u>	<u>61,453</u>	<u>484,985</u>
Total liabilities and fund balance	<u>\$ 1,475,684</u>	<u>\$ 61,453</u>	<u>\$ 1,537,137</u>

PUTNAM TOWNSHIP
COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2008

	<u>Trust and Agency</u>	<u>Current Tax</u>	<u>Totals</u>
<u>ASSETS</u>			
ASSETS			
Cash	\$ 12,172	\$ 25,280	\$ 37,452
Due from other funds	<u> </u>	<u>2,177</u>	<u>2,177</u>
Total assets	<u><u>\$ 12,172</u></u>	<u><u>\$ 27,457</u></u>	<u><u>\$ 39,629</u></u>
 <u>LIABILITIES</u>			
LIABILITIES			
Due to others	\$ 11,557	\$ 1,693	\$ 13,250
Due to other funds	<u>615</u>	<u>25,764</u>	<u>26,379</u>
Total liabilities	<u><u>\$ 12,172</u></u>	<u><u>\$ 27,457</u></u>	<u><u>\$ 39,629</u></u>

PUTNAM TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Township Hall Improvement Fund	Fire Capital Outlay Fund	Fire Millage	Senior Citizens Fund	Total
REVENUES					
Fire millage	\$	\$ 161,629	\$ 408,775	\$	\$ 570,404
Interest income	3,297	8,848	14,532	42	26,719
Grant proceeds		23,655			23,655
Fire runs		21,712			21,712
Donations and contributions				7,000	7,000
Total revenues	3,297	215,844	423,307	7,042	649,490
EXPENDITURES					
Fire protection		5,775	1,606		7,381
Capital outlay		35,145			35,145
Total expenditures		40,920	1,606		42,526
Excess of revenues over (under) expenditures	3,297	174,924	421,701	7,042	606,964
OTHER FINANCING SOURCES (USES)					
Transfers in	6,136				6,136
Transfers (out)	(55,000)		(367,611)		(422,611)
Total other financing sources (uses)	(48,864)		(367,611)		(416,475)
Net changes in fund balances	(45,567)	174,924	54,090	7,042	190,489
FUND BALANCE, JULY 1, 2007	74,796	210,923	285,948		571,667
FUND BALANCE JUNE 30, 2008	\$ 29,229	\$ 385,847	\$ 340,038	\$ 7,042	\$ 762,156

PUTNAM TOWNSHIP
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ALL DEBT SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

	Patterson Lake Sewer Debt Service Fund	Township Hall Debt Service Fund	Total
REVENUES			
Special assessment - principal	\$ 102,997	\$	\$ 102,997
Special assessment - interest	61,041		61,041
Interest income	25,927	44	25,971
	<u>189,965</u>	<u>44</u>	<u>190,009</u>
Total revenues			
EXPENDITURES			
Bond - principal	139,554	25,000	164,554
Bond - interest	75,356	22,725	98,081
Miscellaneous	70	192	262
	<u>214,980</u>	<u>47,917</u>	<u>262,897</u>
Total expenditures			
Excess of revenue over (under) expenditures	(25,015)	(47,873)	(72,888)
OTHER FINANCING SOURCES (USES)			
Transfer in		109,326	109,326
	<u>(25,015)</u>	<u>61,453</u>	<u>36,438</u>
Net change in fund balances			
FUND BALANCE JULY 1, 2007	448,547		448,547
FUND BALANCE JUNE 30, 2008	<u>\$ 423,532</u>	<u>\$ 61,453</u>	<u>\$ 484,985</u>

INDIVIDUAL
FUNDS

GENERAL
FUND

PUTNAM TOWNSHIP
GENERAL FUND
BALANCE SHEET
JUNE 30, 2008

ASSETS

ASSETS

Cash and cash equivalents	\$ 960,565
Accounts receivable - others	5,379
State shared revenue receivable	63,877
Due from other funds	<u>93,990</u>

Total assets	<u>\$ 1,123,811</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 24,072
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FUND BALANCE

<u>1,099,739</u>

Total liabilities and fund balance	<u>\$ 1,123,811</u>
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PUTNAM TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 296,100	\$ 304,850	\$ 8,750
Licenses and permits	4,800	5,131	331
State shared revenues	340,000	372,343	32,343
Charges for services	119,850	117,131	(2,719)
Miscellaneous	134,200	171,462	37,262
Total revenues	894,950	970,917	75,967
EXPENDITURES			
Township board	141,150	69,119	72,031
Supervisor	38,400	39,109	(709)
Assessor	50,300	49,220	1,080
Election	13,500	13,611	(111)
Clerk	40,360	42,261	(1,901)
Board of review	2,000	2,250	(250)
Treasurer	62,650	60,627	2,023
Cemetery	1,500	1,765	(265)
Township hall	58,700	86,785	(28,085)
Public safety-fire department	365,650	367,603	(1,953)
Public safety-police	73,000	72,496	504
Unallocated	34,900	40,483	(5,583)
Highways, streets and bridges	90,000	66,546	23,454
Zoning	34,850	22,139	12,711
Planning commission	52,550	49,077	3,473
Total expenditures	1,059,510	983,091	76,419
Excess of revenues over (under) expenditures	(164,560)	(12,174)	152,386
OTHER FINANCING SOURCES (USES)			
Transfers in	365,650	392,611	26,961
Transfers (out)	(60,000)	(84,957)	(24,957)
Total other financing sources (uses)	305,650	307,654	2,004
Net change in fund balance	141,090	295,480	154,390
FUND BALANCE, JULY 1, 2007	804,259	804,259	
FUND BALANCE, JUNE 30, 2008	\$ 945,349	\$ 1,099,739	\$ 154,390

PUTNAM TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Amended Budget	Actual	Variance Favorable (Unfavorable)
TAXES			
Current property taxes	\$ 296,100	\$ 304,850	\$ 8,750
LICENSES AND PERMITS			
Land use permits		2,995	
Special use permits		1,200	
Trailer permits		300	
Dog licenses		636	
Total licenses and permits	4,800	5,131	331
STATE SHARED REVENUES	340,000	372,343	32,343
CHARGES FOR SERVICES			
Tax administration fees		90,856	
Tax collection fees		10,963	
Board of appeals		4,800	
Zoning fees		3,500	
Wetland applications		1,183	
Land splits		290	
Elections		5,539	
Total charges for services	119,850	117,131	(2,719)
MISCELLANEOUS REVENUES			
Metro act		8,275	
Miscellaneous		1,153	
Printed material		56	
Interest		47,254	
Cablevision fees		51,194	
Gravel pit		20,805	
Legal reimbursements		42,725	
Total miscellaneous revenues	134,200	171,462	37,262
Total revenues	\$ 894,950	\$ 970,917	\$ 75,967

PUTNAM TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Amended Budget	Actual	Variance Favorable (Unfavorable)
TOWNSHIP BOARD			
Fees	\$	\$ 10,285	\$
Audit		7,650	
Legal		17,412	
Engineering		2,482	
Storm water		2,757	
Website/newsletter		2,056	
Publications		4,058	
Dues		6,267	
Data processing		2,084	
Tax chargebacks		1,208	
DDA		3,360	
Recreational equipment		6,781	
Miscellaneous		2,719	
	<hr/>	<hr/>	<hr/>
Total township board	141,150	69,119	72,031
	<hr/>	<hr/>	<hr/>
SUPERVISOR			
Salary		25,500	
Supplies		322	
Clerical		11,411	
Conference		1,141	
Miscellaneous		735	
	<hr/>	<hr/>	<hr/>
Total supervisor	38,400	39,109	(709)
	<hr/>	<hr/>	<hr/>
ASSESSOR			
Contract		43,800	
Data processing		2,886	
Postage		1,658	
Supplies		876	
	<hr/>	<hr/>	<hr/>
Total assessor	50,300	49,220	1,080
	<hr/>	<hr/>	<hr/>
ELECTION			
Fees		4,618	
Clerical		1,000	
Publications		215	
Postage		2,145	
Supplies		2,270	
Small equipment		1,677	
Miscellaneous		1,686	
	<hr/>	<hr/>	<hr/>
Total election	13,500	13,611	(111)
	<hr/>	<hr/>	<hr/>

PUTNAM TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED JUNE 30, 2008

	Amended Budget	Actual	Variance Favorable (Unfavorable)
CLERK			
Salary		25,500	
Clerical		14,908	
Mileage		49	
Conference		957	
Supplies		393	
Miscellaneous		454	
Total clerk	40,360	42,261	(1,901)
BOARD OF REVIEW	2,000	2,250	(250)
TREASURER			
Salary		25,500	
Tax statement preparation		4,193	
Clerical		24,091	
Supplies		960	
Data processing		2,278	
Postage		3,358	
Conference		90	
Miscellaneous		157	
Total treasurer	62,650	60,627	2,023
CEMETERY			
Maintenance	1,500	1,765	(265)
TOWNSHIP HALL			
Receptionist		1,575	
Ground maintenance		6,951	
Hall maintenance		1,165	
Copy maintenance		1,108	
Playground maintenance		1,771	
Cleaning services		3,932	
Supplies		4,261	
Internet		1,528	
Telephone		4,402	
Utilities		8,815	
Security system		1,298	
Insurance		15,882	
Postage		2,263	
Miscellaneous		1,837	
Capital outlay		27,390	
Relocation		2,607	
Total township hall	58,700	86,785	(28,085)

PUTNAM TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
PUBLIC SAFETY - FIRE DEPARTMENT			
Fire person fees		222,542	
Payroll taxes		16,734	
Telephone		5,295	
Insurance		34,161	
Utilities		11,470	
EMS fees		3,180	
Radios		4,283	
Gas and oil		10,720	
Ground maintenance		5,627	
Dues and subscriptions		4,910	
Training		8,965	
Fire fighter gear		6,719	
Uniforms		5,761	
Equipment maintenance		20,260	
Building maintenance		1,771	
Operating supplies and parts		1,280	
Capital outlay		1,393	
Miscellaneous		2,532	
	<u>365,650</u>	<u>367,603</u>	<u>(1,953)</u>
Total public safety - fire department			
PUBLIC SAFETY - POLICE			
Contracted services	<u>73,000</u>	<u>72,496</u>	<u>504</u>
UNALLOCATED			
Sidewalk projects		1,178	
Small equipment		4,131	
Township - FICA, Medicare and unemployment		14,250	
Gazebo and town square maintenance		3,163	
Miscellaneous		1,749	
Senior citizens		16,012	
	<u>34,900</u>	<u>40,483</u>	<u>(5,583)</u>
Total unallocated			
HIGHWAYS, STREETS, BRIDGES			
Road maintenance	<u>90,000</u>	<u>66,546</u>	<u>23,454</u>

PUTNAM TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ZONING			
Fees		2,635	
Administrator fees		14,516	
Printing and publications		776	
Supplies		60	
Planning consultant		1,706	
Legal		1,922	
Mileage		460	
Miscellaneous		64	
Total zoning	<u>34,850</u>	<u>22,139</u>	<u>12,711</u>
PLANNING COMMISSION			
Site reviews		470	
Fees		11,070	
Planning consultant		35,836	
Printing and publications		1,481	
Supplies		110	
Miscellaneous		110	
Total planning commission	<u>52,550</u>	<u>49,077</u>	<u>3,473</u>
Total expenditures	<u>\$ 1,059,510</u>	<u>\$ 983,091</u>	<u>\$ 76,419</u>

TOWNSHIP
HALL
IMPROVEMENT
FUND

PUTNAM TOWNSHIP
TOWNSHIP HALL IMPROVEMENT FUND
BALANCE SHEET
JUNE 30, 2008

ASSETS

ASSETS
Cash

\$ 29,229

FUND BALANCE

FUND BALANCE

\$ 29,229

PUTNAM TOWNSHIP
TOWNSHIP HALL IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Interest	\$ 1,500	\$ 3,297	\$ 1,797
EXPENDITURES			
Excess of revenues over (under) expenditures	<u>1,500</u>	<u>3,297</u>	<u>1,797</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	47,000	6,136	(40,864)
Transfers (out)	<u>(55,000)</u>	<u>(55,000)</u>	<u>(55,000)</u>
Total other financing sources (uses)	<u>47,000</u>	<u>(48,864)</u>	<u>(95,864)</u>
Net change in fund balance	48,500	(45,567)	(94,067)
FUND BALANCE, JULY 1, 2007	<u>74,796</u>	<u>74,796</u>	
FUND BALANCE, JUNE 30, 2008	<u><u>\$ 123,296</u></u>	<u><u>\$ 29,229</u></u>	<u><u>\$ (94,067)</u></u>

FIRE DEPARTMENT
CAPITAL OUTLAY
FUND

PUTNAM TOWNSHIP
FIRE DEPARTMENT CAPITAL OUTLAY FUND
BALANCE SHEET
JUNE 30, 2008

ASSETS

ASSETS

Cash	\$ 362,200
Due from other funds	<u>24,269</u>

Total assets	<u>\$ 386,469</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Due to other funds	\$ 622
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FUND BALANCE

<u>385,847</u>

Total liabilities and fund balance	<u>\$ 386,469</u>
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PUTNAM TOWNSHIP
FIRE DEPARTMENT CAPITAL OUTLAY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Fire millage	\$	\$ 161,629	\$
Grant proceeds		23,655	
Fire runs		21,712	
Interest		8,848	
	<u>183,000</u>	<u>215,844</u>	<u>32,844</u>
Total revenues			
EXPENDITURES			
Capital outlay		35,145	
Tax chargebacks		541	
FEMA Grant refund		1,045	
Building repairs		4,189	
	<u>20,000</u>	<u>40,920</u>	<u>(20,920)</u>
Total expenditures			
Net change in fund balance	163,000	174,924	11,924
FUND BALANCE, JULY 1, 2007	<u>210,923</u>	<u>210,923</u>	
FUND BALANCE, JUNE 30, 2008	<u>\$ 373,923</u>	<u>\$ 385,847</u>	<u>\$ 11,924</u>

FIRE MILLAGE
FUND

PUTNAM TOWNSHIP
FIRE MILLAGE FUND
BALANCE SHEET
JUNE 30, 2008

ASSETS

ASSETS

Cash

\$ 433,473

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to other funds

\$ 93,435

FUND BALANCE

340,038

Total liabilities and fund balance

\$ 433,473

PUTNAM TOWNSHIP
FIRE MILLAGE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Fire millage	\$	\$ 408,775	\$
Interest		14,532	
Total revenues	404,000	423,307	19,307
EXPENDITURES			
Tax chargebacks		1,606	(1,606)
Excess of revenues over (under) expenditures	404,000	421,701	17,701
OTHER FINANCING (USES)			
Transfers (out)	(365,650)	(367,611)	(1,961)
Net change in fund balance	38,350	54,090	15,740
FUND BALANCE, JULY 1, 2007	285,948	285,948	
FUND BALANCE, JUNE 30, 2008	<u>\$ 324,298</u>	<u>\$ 340,038</u>	<u>\$ 15,740</u>

SENIOR CITIZENS
FUND

PUTNAM TOWNSHIP
SENIOR CITIZENS FUND
BALANCE SHEET
JUNE 30, 2008

ASSETS

ASSETS
Cash

\$ 7,042

FUND BALANCE

FUND BALANCE

\$ 7,042

PUTNAM TOWNSHIP
 SENIOR CITIZENS FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2008

REVENUES	
Interest	\$ 42
Donations	2,000
Contributions	<u>5,000</u>
Total revenue	7,042
EXPENDITURES	<u></u>
Net change in fund balance	7,042
FUND BALANCE, JULY 1, 2007	<u></u>
FUND BALANCE, JUNE 30, 2008	<u><u>\$ 7,042</u></u>

PATTERSON LAKE SEWER
DEBT SERVICE FUND

PUTNAM TOWNSHIP
PATTERSON LAKE SEWER DEBT SERVICE FUND
BALANCE SHEET
JUNE 30, 2008

ASSETS

ASSETS

Cash	\$ 423,532
Special assessment receivable - current	88,013
Deferred special assessments receivable	<u>964,139</u>

Total assets	<u><u>\$ 1,475,684</u></u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred revenues	\$ 1,052,152
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FUND BALANCE

<u>423,532</u>

Total liabilities and fund balance	<u><u>\$ 1,475,684</u></u>
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PUTNAM TOWNSHIP
PATTERSON LAKE SEWER DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Special assessments - principal	\$	\$ 102,997	\$
Special assessments - interest		61,041	
Interest income		25,927	
	<u>169,959</u>	<u>189,965</u>	<u>20,006</u>
EXPENDITURES			
Bond - principal		139,554	
Bond - interest		75,356	
Miscellaneous		70	
	<u>212,081</u>	<u>214,980</u>	<u>(2,899)</u>
Total expenditures	<u>212,081</u>	<u>214,980</u>	<u>(2,899)</u>
Net change in fund balance	(42,122)	(25,015)	17,107
FUND BALANCE, JULY 1, 2007	<u>448,547</u>	<u>448,547</u>	
FUND BALANCE, JUNE 30, 2008	<u>\$ 406,425</u>	<u>\$ 423,532</u>	<u>\$ 17,107</u>

TOWNSHIP HALL
DEBT SERVICE
FUND

PUTNAM TOWNSHIP
TOWNSHIP HALL DEBT SERVICE FUND
BALANCE SHEET
JUNE 30, 2008

ASSETS

ASSETS
Cash

\$ 61,453

FUND BALANCE

FUND BALANCE

\$ 61,453

PUTNAM TOWNSHIP
TOWNSHIP HALL DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008

REVENUES	
Interest	<u>\$ 44</u>
EXPENDITURES	
Bond principal	25,000
Bond interest	22,725
Miscellaneous	<u>192</u>
Total expenditures	<u>47,917</u>
Excess of revenues over (under) expenditures	(47,873)
OTHER FINANCING SOURCES	
Transfers in	<u>109,326</u>
Net change in fund balance	61,453
FUND BALANCE, JULY 1, 2007	<u> </u>
FUND BALANCE, JUNE 30, 2008	<u><u>\$ 61,453</u></u>

TOWNSHIP HALL
CONSTRUCTION
FUND

PUTNAM TOWNSHIP
TOWNSHIP HALL CONSTRUCTION FUND
BALANCE SHEET
JUNE 30, 2008

ASSETS

ASSETS
Cash

\$ 10,887

FUND BALANCE

FUND BALANCE

\$ 10,887

PUTNAM TOWNSHIP
TOWNSHIP HALL CONSTRUCTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008

REVENUES	
Interest	<u>\$ 11,479</u>
EXPENDITURES	
Construction costs	674,711
Bank fees	56
Bond financing	<u>11,825</u>
Total expenditures	<u>686,592</u>
Excess of revenues over (under) expenditures	<u>(675,113)</u>
OTHER FINANCING SOURCES (USES)	
Bond proceeds	700,000
Bond issuance costs	(13,495)
Transfers out	<u>(505)</u>
Total other financing sources (uses)	<u>686,000</u>
Net change in fund balance	10,887
FUND BALANCE, JULY 1, 2007	<u></u>
FUND BALANCE, JUNE 30, 2008	<u><u>\$ 10,887</u></u>

TRUST
AND
AGENCY
FUND

PUTNAM TOWNSHIP
TRUST AND AGENCY FUND
BALANCE SHEET
JUNE 30, 2008

ASSETS

ASSETS

Cash

\$ 12,172

LIABILITIES

LIABILITIES

Due to others

\$ 11,557

Due to other funds

615

Total liabilities

\$ 12,172

CURRENT
TAX
COLLECTION
FUND

PUTNAM TOWNSHIP
CURRENT TAX COLLECTION FUND
BALANCE SHEET
JUNE 30, 2008

ASSETS

ASSETS

Cash	\$ 25,280	
Due from other funds	<u>2,177</u>	
Total assets		<u><u>\$ 27,457</u></u>

LIABILITIES

LIABILITIES

Due to other funds	\$ 25,764	
Due to others	<u>1,693</u>	
Total liabilities		<u><u>\$ 27,457</u></u>

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
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October 20, 2008

Board of Trustees
Putnam Township
3280 West M-36
Pinckney, Michigan 48169

Dear Honorable Board of Trustees:

During our audit of the Putnam Township we came across the following matter that we would like to discuss with you as part of our audit presentation for the year ending June 30, 2008.

The matter which we would like to discuss with you is as follows:

There is a new auditing standard (SAS #112) which we are required to follow as your auditing firm. This new standard relates to more formal communications by us to you regarding significant deficiencies in your internal controls and accounting procedures.

There are certain issues (deficiencies) which were previously considered general comments but under the new standard are now considered significant deficiencies.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's or detected by the entity's internal control.

We consider the following to be a material weakness of the Township.

- Historically, the Township has relied on independent external auditors in the preparation of their financial statements and required disclosures. The Township has determined that the cost/benefit of preparing the financial statements and disclosures are best served by continuing this practice.
- There is a lack of segregation of duties.

Conclusion

Thank you for your assistance and hospitality toward our firm while conducting the audit of the Putnam Township.

If you should have any questions, comments or concerns please do not hesitate to call us.

This report is intended solely for the information and use of the Board of Trustees and management of the Putnam Township and is not intended to be and should not be used by anyone other than the specified parties.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants